GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5352
ANSWERED ON:22.12.2000
INSPECTION OF PRIVATE BANKS
RAGHUNATH JHA

Will the Minister of FINANCE be pleased to state:

(a) whether the number of private sector banks were inspected by the Reserve Bank of India during 1999-2000:

(b) if so, the details thereof;

(c) the shortcomings noticed in these banks; and

(d) the action taken against these banks?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL):

(a) Reserve Bank of India (RBI) has reported that all the 33 Private Sector Banks were inspected during the year 1999-2000.

(b) and (c) The major shortcomings generally noticed in the functioning of these banks include deficiencies in the exercise of delegated authority and in the appraisal of credit proposals, compliance with internal control/Foreign Exchange Dealers Association of India/RBI guidelines on foreign exchange business, systems and controls, deterioration in asset quality, lax post-sanction supervision of credit, arrears in balancing of books etc.

(d) Based on the findings of the inspection reports, the matter is taken up with the banks` management by RBI for taking remedial steps to ensure that the irregularities observed do not recur. The comments of the banks on major findings of inspection reports are obtained by RBI. Thereafter, the Chief Executive Officer of the banks are called for discussion by RBI for identifying the steps required to be taken for removing the deficiencies. RBI monitors the implementation of the agreed follow-up action as also compliance of the inspection report.